

BusinessPlus+ Newsletter



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Happy New Financial Year!

Planning For 2012/2013

Setting business targets for 2012/2013 will require small business operators to take into account a number of variables, including:

- **Growth in the Economy** - A number of commentators were surprised at the annual rate of growth revealed in the March 2012 figures, which was calculated at 4.3%. Do you expect that kind of growth to continue throughout 2012/2013? Probably not, unless you're operating in one of the key industries in the strong economic performance states of the Northern Territory, Western Australia and Queensland.
- **Inflation Rate** - The inflation rate appears to be under control and it is not expected that there will be a significant change in the underlying inflation rate during this financial year.
- **Interest Rates** - The Reserve Bank of Australia (RBA) refrained from moving interest rates at the July board meeting. Many commentators believe that the prime rate will continue downward to around 3%. However, one former Australian Reserve Bank member has advocated in recent weeks that interest rates should in fact be increasing. The general consensus of opinion however, seems to be that interest rates will not be going up in the short term. There is an expectation however that, by 2013, interest rates will start to increase again. So if you're currently negotiating new loans, it is advisable to lock in rates for a period of time.
- **The Government** - It is difficult to ignore government action because so many things, which may affect small businesses, can be instigated by government action. The Carbon Tax has commenced, businesses can expect significant increases in gas and electricity charges. However, in some areas of Australia, waste disposal fees and dump usage fees are expected to increase substantially because of high methane gas production from dumps, which means that a number of local government organisations are included in the 500 major organisations that are expected to be paying the Carbon Tax. These organisations will undoubtedly seek to recover the costs in dump usage fees, waste management fees and general rates. In many areas of Australia, business conditions are still very sluggish with the retail sector in particular being very slow. There has been some publicity of public companies, involved in retail activities, announcing profit downgrades and closure of some retail outlets.

Cashflow management remains a very important component of effective business management for small business operators. If you are preparing Budgets and Cashflow Forecasts for 2012/2013, these factors should be taken into account in drafting the Budgets and Cashflow Forecasts.

If you would like any assistance on developing your plans for 2012/2013, please do not hesitate to contact us.

Export Market Development Grant Application

If you have exported product during 2011/2012 and have expenditure in excess of \$20,000 on export market development activities, then you could be eligible to lodge an Export Market Development Grant Application. The application needs to be lodged with Austrade by no later than 30th November 2012. There are no extensions available. Businesses with turnovers under \$50M in the 2011/2012 financial year and who have spent in excess of \$20,000 on eligible export expenses, can apply.

In the first year, a business is able to combine eligible export expenses for two years to achieve the \$20,000 minimum expenditure requirement.

If you have exported product or have commenced export market activities and have incurred in excess of \$20,000 on export related expenses, we'll be happy to assist you in the preparation of an Export Market Development Grant Claim. If you would like a list of the eligible expenses for Export Market Development Grants (Form 014-030a), please contact us.

Key Targets For Budgets And Cashflow Forecasts

July is a great time for the preparation of Budgets and Cashflow Forecasts for the new financial year. We recommend that you begin the budget process by considering your key targets for 2012/2013. These include:

- What are your goals for the next 12 months?
- What are your sales targets?
- What affect do you believe the economy will have on your business?
- Break-even calculations - what are they going to be at a various levels of operations?
- Currency fluctuations - if you're an exporter or importer, what affect will a move in the Australian dollar have in your business?
- Have you reviewed your "sales funnel"? This can be calculated by:

Past History:

- Introduction/Contacts _____
- Proposals submitted _____ conversion _____ This represents% contacts of introduction
- Orders received _____ conversion _____ This represents% proposals submitted

Budgeted Sales Funnel:

- Introduction/Contacts _____
- Proposals submitted _____ conversion _____ This represents% contacts of introduction
- Orders received _____ conversion _____ This represents% proposals submitted

After reviewing the historical figures, what are your budgeted "sales funnel" targets for 2012/2013? You then need to establish key targets for:

	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>
Stock (Inventory)												
Investment \$	_____											
Stock Turn	_____											
Stock Days on Hand	_____											
Work in Progress												
Investment \$	_____											
WIP Days on Hand	_____											
Debtors												
Amount Owing \$	_____											
Debtors' Days Outstanding	_____											
Creditors												
Amount Owing \$	_____											
Creditors' Days Owing	_____											

Marketing/Sales Hints

Cooperative Promotion

As a means of broadening your target market base and advising of the availability of products that you have for sale, have you considered negotiating with another organisation to sell their products for a commission. You may be able to do this as a value-add to the products that you are currently supplying to your customers. Making cooperative promotion sales may be a means of promoting your services to other potential customers who are not currently customers of your business, but they may be interested in the cooperative products that you are selling.

Database Clean Up

Databases can become obsolete very quickly. This can be due to people leaving their positions, businesses changing their contact details (email addresses, phone numbers, etc.). Every six (6) months is an ideal time to check the integrity of your database by contacting the organisation that you have listed in your database to ensure that the contact person is still present and that the contact details in your database are still appropriate and up to date.

Send Articles To Your Customers

Whilst it is true that we are living in an era where there is potentially information overload, many customers are still hard-pressed to find articles, magazines, books, YouTube video clips, etc., that could be beneficial to their business operations. Why not have a policy of ensuring that, whenever you notice any such articles, you send a copy or alert your customer of the article, etc. This will show the customers that you do have concerns about their businesses and that you're trying to assist them in their knowledge of important things, occurring in the marketplace, which might affect their business.

Customer Surveys Do Help

Operating a business is a very lonely affair, especially as more and more sales transactions are conducted over the internet. Why not design a short customer survey form and send it to your customers, to seek feedback about the types of products and services you provide, and ask what your customers think about them, what improvements could be made, how your products and services compare to others in the marketplace. Unfortunately, the majority of surveys do not have a high return rate. Therefore, you might have to offer an "inducement" for your customers to return the survey forms. The "inducement" could be an entry in a draw for a prize, a discount on the next product the customer purchases from you, perhaps send them a "dollar scratchie ticket" in advance, or offer them a business book or article. Surveys are a great way to keep in touch with your customers and show them you care about the products and services you are offering.

Government Grants For SMEs

Resources (Mining, Oil and Gas Industries) Enterprise Connect Grant

Companies operating in the resources sector comprising mining, oil and gas industries, could be eligible to receive a grant from the Federal government agency Enterprise Connect, for a range of business improvement services that could include:

- Business Strategy Planning
- Supply Chain Management
- Human Resources Issues
- Lean Manufacturing
- Export Strategy
- Business Management Systems
- Quality Management Systems
- Market Plan
- Succession Planning
- Cashflow Management

Companies must have an Australian Company Number (ACN), have revenue or expenditure of more than \$1.5M in regional areas and \$2M in major capital cities (Brisbane, Sydney, Melbourne, Adelaide and Perth), with revenue and expenditure under \$100M.

The grant is up to \$20,000, on a 50/50 basis. Companies are eligible if they supply services directly or indirectly to the resources industry. These services could include:

- equipment
- software
- engineering; and
- research and development

and includes:

- mining exploration
- mining extraction
- quarrying and processing, and
- de-commissioning and closure of mining operations.

If you are a participant in the resources industry and you are interested in considering an application to Enterprise Connect for a grant, please do not hesitate to contact us.

Business Plans

Business Plans – “Business Outlook In Your Area”

Some of the questions to consider:

- Has your business created local strategic alliances with other businesses in your area?
- Does your business have a “can do” attitude that is recognised in your area?
- Do you attend conferences, seminars and meetings to keep abreast of developments in your local community?
- Has your management team talked to other business people to ascertain their views as to where business in your geographical area is heading?
- Are you an active member of organisations such as Chamber of Commerce?

Answers to these questions will help determine policy strategies for implementation within your business plan.

Tax Planning For Trusts

The recent action by the Australian Taxation Office (ATO) relating to Trust Distributions having to be made prior to the 30th June has created a number of issues for Accountants, Trustees and Beneficiaries of Trusts, including:

- If the trust minutes are invalid, this could result in the trustee being assessed at a full marginal rate of tax, due to no beneficiary being presently entitled, if no default beneficiary is included in the trust deed.
- If your trust deeds have not been reviewed recently, please contact us.
- Trust deeds that do not deal with Capital Gains and Franking Credits could result in the trustee being assessed on these amounts at the full marginal rate of tax due to no beneficiary being presently entitled.
- Poorly drafted trust minutes could result in trust distributions being taxed at higher rates in higher income earning beneficiaries’ hands instead of in the hands of a lower income earning beneficiary.

The action by the ATO has highlighted the need for tax planning for each trust to become a compulsory measure during the financial year, and not at the end of June, in order to ensure proper distributions are agreed to and that the trust minutes are prepared confirming the decision of the trustees prior to 30th June each year.

If you have any queries on the operation of your trusts, please do not hesitate to contact us.

What Does It Mean?

Net profit percentage of sale.... net profit percentage of sale measures the net profit before tax earned on each dollar of sales and indicates how well an entity controls overhead expenditure. Overhead expenditure should be monitored to ensure that unnecessary expenditure is avoided.

WANT TO KNOW MORE?

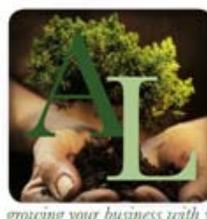
Additional information on the articles contained within this issue of **Business Plus+** is available by contacting our office on 1300 35 22 35 or simply email mail@lewistaxation.com.au.

You might also be interested in these additional informational papers:

- *Paper 014-082 - Enterprise Connect – Mining*
- *Paper 021-050 - Business Outlook In Your Area (Questionnaire)*
- *Paper 012-046 - Discretionary Trusts Taxation Treatment*
- *Paper 008-040 - Marketing for Small Business*
- *Paper 005-001 - Accounting Terminology*
- *Paper 014-030 - Export Market Development Grant*
- *Paper 570-037 - Budget and Cashflow Forecast Preparation*
- *Paper 018-001 - Customer Service*
- *Form 014-030a - Eligible Export Expenses Checklist*

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.



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